

Communications

Communicating with plan members continues to be one of the board's highest priorities. The board is working with the Pension Corporation to produce several products to keep members up to date on pension-related topics. Some of these products include a pensioner newsletter, which is printed twice a year, and a series of fact sheets on various topics that are available in print and electronic form. The Pension Corporation developed a public web site in the spring of 1999, where most of the corporation's publications and other pension-related information is available at pensions.gov.bc.ca.

Representatives

The board's membership may include representatives from your workplace, association or organization. Contact your local representative for more information about your pension plan benefits.

This publication is produced
by the Pension Corporation
on behalf of the Public Service Pension Plan.

For additional copies, contact:

Communications Branch
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(250) 356-9591

**PENSION
CORPORATION**

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**Public
Service**

**Pension
Plan**

**2000
Annual
Report
Summary**

BRITISH COLUMBIA

MESSAGE FROM THE BOARD

I am pleased to present you with the Public Service Pension Plan Annual Report Summary for the fiscal year ending March 31, 2000. There are currently approximately 80,000 active contributors and retired members.

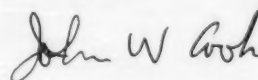
The Public Service Pension Plan is financially sound. The last actuarial valuation showed a funding surplus of \$929 million for basic benefits. See the "Actuarial Valuation/Plan Funding" section for more details.

In 1999 the Public Service Pension Board participated in major consultations regarding pension reform. This led to the drafting of Bill 95, which was tabled in the legislature, received royal assent in July 1999 and came into force on April 1, 2000 as the *Public Sector Pension Plans Act*. The new legislation simplified public sector pension plan administration and management; and it paves the way for public sector pension plan stakeholders—government, employers, unions and plan member associations—to pursue a joint trustee arrangement if they wish.

The new legislation also created two Crown corporations. The British Columbia Pension Corporation (Pension Corporation) replaced the Superannuation Commission, effective April 1, 2000; and the British Columbia Investment Management Corporation (bcIMC) replaced the Office of the Chief Investment Officer of the Ministry of Finance and Corporation Relations, effective January 1, 2000. See the "Roles and Responsibilities" section for more details on the function of the Crown corporations.

In 1999/2000 the Pension Corporation implemented a new pre-retirement pension administration system (IPAS), while readying the corporation's critical systems for the year 2000. The change to IPAS created some setbacks for the corporation, one of which was the late delivery of the 1999 pension adjustment statements.

The Public Service Pension Advisory Board will continue to challenge the Pension Corporation to provide quality service to Public Service Pension Plan members. See the "Communications" section for more details about services provided by the Pension Corporation.



John Cook, Chair

MEMBERS OF THE BOARD AS AT MARCH 31, 2000

Chair, John Cook

Member Representatives

Ed Bodner, BC Government Retired Employees' Association

Doug Hensby, Professional Employees' Association

Andy McColl, Union of Psychiatric Nurses

Diane Wood, BC Government and Service Employees' Union

Government Representatives

Bruce Kennedy, Anne Kirkaldy, Wayne Scale, Suzanne Veit

Investments

The Public Service Pension Plan holds a diversified portfolio of debt and equity investments. Diversification of assets and investment styles is an important component of investment strategy for the fund because it decreases investment risk. The portfolio has a total market value of \$12.4 billion as of March 31, 2000. The plan's five-year average return was 13.9%.

Approved Investment Asset Mix

Asset Class	Market Value	
	Lower Limit	Upper Limit
Debt	30%	50%
Short-term	0%	30%
Bonds	20%	50%
Mortgages	0%	10%
Equity	50%	70%
Canadian Stocks	20%	50%
U.S. Stocks	0%	14%
International Stocks	0%	14%
Real Estate	0%	10%
Private Placements	0%	4%

Actuarial Valuation/Plan Funding

At least every three years an independent actuary assesses the financial health of the pension plan, and determines whether or not the contribution rates are enough to fund basic pension benefits. The Public Service Pension Plan is financially sound. At the March 31, 1999 actuarial valuation, the plan's surplus for funding basic benefits had increased to \$929 million, from \$222 million in 1996.

Roles and Responsibilities

The Public Service Pension Advisory Board, with representatives from employers and members, oversees the plan, with the chair of the board acting as a trustee. The *Public Sector Pension Plans Act* was passed

in 1999 and came into force—along with regulations detailing the plan rules—on April 1, 2000. It replaced the *Pension (Public Service) Act* that was governing the Public Service Pension Plan. Two Crown corporations came into being as a result of the Act: the British Columbia Pension Corporation and the British Columbia Investment Management Corporation (bcIMC).

The board of directors of the Pension Corporation is made up of members from the four statutory pension plan boards (Municipal, College, Public Service and Teachers'). The bcIMC board is formed much the same way, but includes client representatives in addition to members from the pension plan boards. The pension plan board, in turn, are made up of plan member and employer representatives. The corporations, through this new governance structure, answer directly to the pension plan board for pension benefit administration and investment management services for the plan.

Members

Members of the Public Service Pension Plan are primarily employees of the British Columbia provincial government and certain Crown corporations, agencies and institutions. Today, there are approximately 80,000 active contributors and retired members.

The Plan and Benefits

The Public Service Pension Plan is a contributory defined benefit pension plan. This means the employee's basic pension is guaranteed regardless of the financial health of the plan. Benefits are based on the employee's highest five years of salary multiplied by his/her length of pensionable service.

The plan provides benefit entitlements prior to retirement. Following termination of employment, a member may choose either a deferred pension or a commuted value payment after two years of enrolment in the plan, or a refund of contributions with interest if enrolled less than two years. The plan also provides benefits if a member is disabled or dies before retiring.

000 ANNUAL REPORT SUMMARY

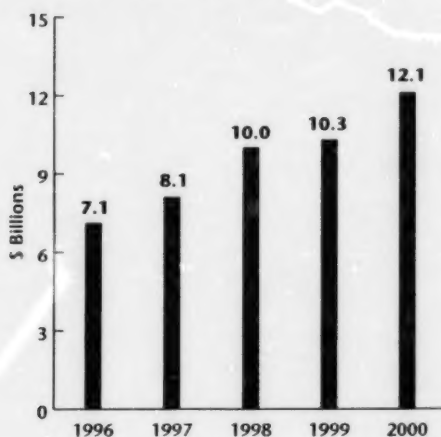
Plan Assets

Financial Statement Highlights (Unaudited)

	\$ Millions	
	2000	1999
Net Assets Available for Benefits, Beginning of Year	\$10,305	\$ 9,988
Investment Income	1,890	286
Contributions	234	336
Net Transfers to Plan	-	3
Paid Benefits	(304)	(300)
Pension Administration Costs	(7)	(8)
Net Assets Available for Benefits, End of Year	\$12,118	\$10,305

Net Assets Available for Benefits

as at March 31, 1996-2000

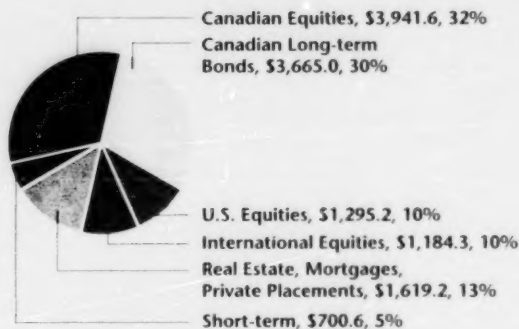


As a Percentage of Net Assets

	2000	1999	1998	1997	1996
Pension Administration Costs	0.06	0.08	0.08	0.08	0.06
Investment Management Costs	0.10	0.11	0.10	0.08	0.07

2000 Investment Holdings (Market Value)

\$ Millions



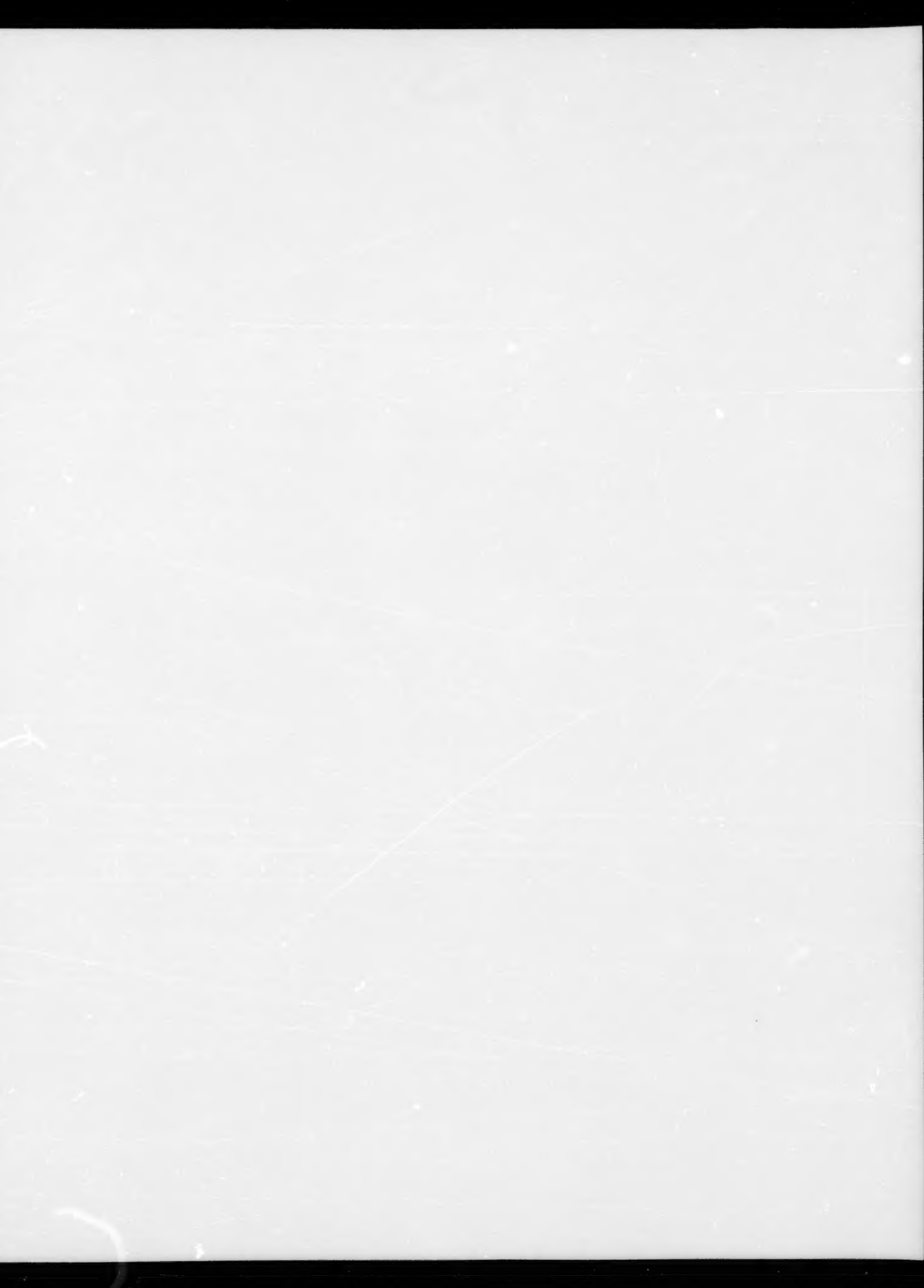
Investments as at March 31, 2000

	Performance Benchmarks	2000	1999
Market Value (\$ Billions)		\$12.4	\$10.3
Basic Account Market Value Rates of Return			
Annual	19.1%	18.0%	3.0%
Five-year Average	14.4%	13.9%	11.5%
Inflation Account Market Value Rates of Return			
Annual	6.5%	19.1%	2.6%
Five-year Average	5.2%	13.8%	11.1%

Net Earned Rate of the Fund

Year	%
1996	10.5
1997	10.7
1998	12.4
1999	11.5
2000	13.9

RATES OF RETURN ARE BASED ON A FIVE-YEAR AVERAGE



**Public
Service**

Pension
Plan

**2000
Annual
Report**

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**Public
Service
Pension
Plan**

**2000
Annual
Report**

April 1, 1999 to March 31, 2000

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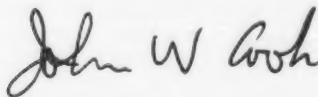
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The new legislation also created two Crown corporations. The British Columbia Pension Corporation (Pension Corporation) replaces the Superannuation Commission, effective April 1, 2000; and the British Columbia Investment Management Corporation (bcIMC) replaced the Office of the Chief Investment Officer of the Ministry of Finance and Corporation Relations, effective January 1, 2000. See the "Roles and Responsibilities" section for more details on the function of the Crown corporations.

In 1999/2000 the Pension Corporation implemented a new computerized Integrated Pension Administration System (IPAS), while readying the corporation's critical systems for the year 2000. The change to IPAS created some setbacks for the corporation, one of which was the late delivery of the 1999 pension adjustment statements.

The Public Service Pension Advisory Board will continue to challenge the Pension Corporation to provide quality service to Public Service Pension Plan members. See the "Member Services" section for more details about services provided by the Pension Corporation.



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MEMBERS OF THE BOARD AS AT MARCH 31, 2000

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THE PLAN AND ITS PARTICIPANTS

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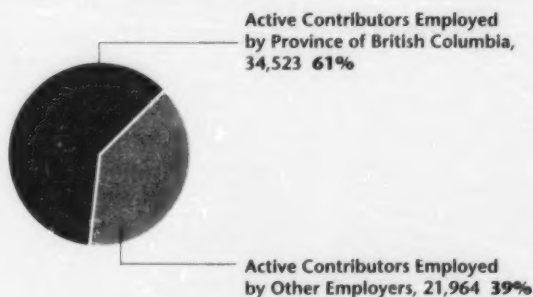
Members of the Public Service Pension Plan are primarily employees of the British Columbia provincial government and certain Crown corporations, agencies and institutions. Once an employee qualifies to join the plan or elects to contribute, contributions must continue as long as the employee remains with the employer, or until 35 years of pensionable service have accrued.

PUBLIC SERVICE PENSION PLAN ACTIVE EMPLOYERS

Province of British Columbia
BC Assets and Land Corporation
British Columbia Assessment Authority
British Columbia Buildings Corporation
BC Excluded Employees' Association
British Columbia Ferry Corporation
BC Ferry and Marine Workers' Union
British Columbia Government and Service Employees' Union
British Columbia Housing Management Commission
British Columbia Investment Management Corporation
British Columbia Institute of Technology
British Columbia Mental Health Society
BC Pavilion Corporation
British Columbia Securities Commission
British Columbia Transit Authority
British Columbia Transportation Financing Authority
British Columbia Treaty Commission
Coast Mountain Bus Company Ltd.
Columbia Power Corporation
Emergency Communications Corporation
Emergency Health Services Commission
Fisheries Renewal BC
Forensic Psychiatric Services Commission
Fraser River Marine Transportation Ltd.
Greater Vancouver Transportation Authority
Homeowner Protection Office
Industry Training and Apprenticeship Commission
Insurance Corporation of British Columbia
Islands Trust
Liquor Distribution Branch

Oak Bay Lodge Society
Office and Professional Employees' International Union, Local 378
Office of Jobs and Timber Accord Advocate Inc.
Okanagan Valley Tree Fruit Authority Corporation
Pacific Coast Savings Credit Union
Pacific Vehicle Testing Technologies
Professional Employees' Association
Provincial Capital Commission
Regional Health Boards and Societies (21)
Registered Psychiatric Nurses Association of British Columbia
Science Council of British Columbia
Tillicum and Veterans Care Society (Broadmead Lodge)
Tourism British Columbia
Union of Psychiatric Nurses of British Columbia

Contributor Employment as at March 31, 2000



FINANCIAL AND OPERATIONAL HIGHLIGHTS

Investments as at March 31, 2000

	Performance Benchmarks 2000	2000	1999
Market Value (\$ Billions)		\$12.4	\$10.3
Basic Account Market Value Rates of Return			
Annual	19.1%	18.0%	3.0%
Five-year Average	14.4%	13.9%	11.5%
Inflation Account Market Value Rates of Return			
Annual	6.5%	19.1%	2.6%
Five-year Average	5.2%	13.8%	11.1%

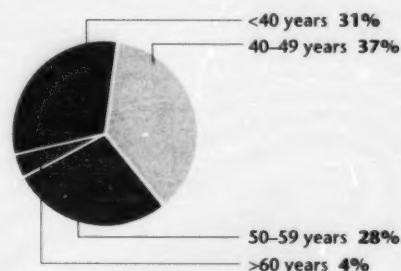
Latest Actuarial Valuation—March 31, 1999

\$ Millions

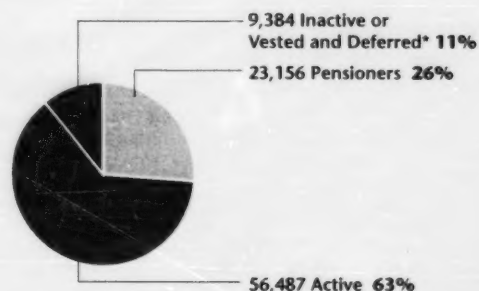
	Basic Pension Benefits Net Surplus (Unfunded)	
	1999	1996
For Funding Purposes (statutory contributions)*	\$929	\$222
Ratio of Surplus (Unfunded) Liability to Covered Payroll*	41%	10%
Based on Accrued Benefits to March 31	\$1,086	\$209

*ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING STATUTORY RATES.

2000 Age Profile of Active Contributors

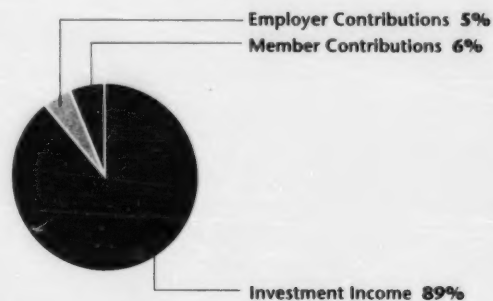


2000 Membership Profile



*MEMBERS NO LONGER EMPLOYED, BUT WITH MONEY IN THE PLAN.

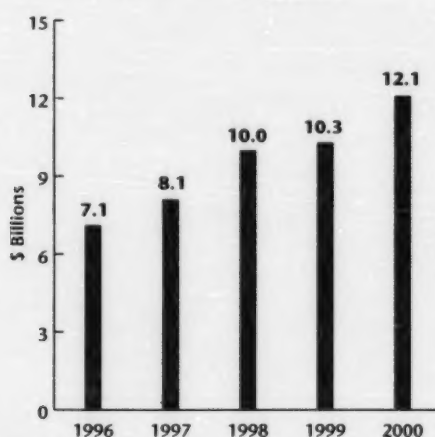
2000 Revenue



FINANCIAL AND OPERATIONAL HIGHLIGHTS continued

Net Assets Available for Benefits

as at March 31, 1996–2000


Five-year Summary Statement of Changes in Net Assets Available for Benefits (unaudited)

\$ Thousands

For the year ended March 31	2000	1999	1998	1997	1996
Increase in Assets					
Net Investment Income					
Total Investment Income	\$ 1,902,509	\$ 296,591	\$1,839,825	\$ 955,975	\$ 829,831
Investment Management Costs	(12,475)	(11,082)	(10,445)	(6,377)	(4,725)
	1,890,034	285,429	1,829,380	949,598	825,106
Contributions					
Members	137,041	142,225	138,139	139,290	132,088
Employers	96,420	193,632	191,944	197,850	200,044
Transfers from Other Plans	4,688	3,729	9,644	8,728	4,267
Total Increase in Assets	2,128,183	625,015	2,169,107	1,295,466	1,161,505
Decrease in Assets					
Pension Benefits	276,743	266,864	257,295	225,827	210,950
Termination Benefits	18,411	24,562	40,089	20,914	15,856
Transfers to Other Plans	5,080	530	718	948	242
Supplemental Benefits	8,468	8,033	7,254	6,495	6,768
Administration Costs	6,717	7,890	7,518	6,102	4,553
Total Decrease in Assets	315,419	307,879	312,874	260,286	238,369
Increase in Net Assets	1,812,764	317,136	1,856,233	1,035,180	923,136
Net Assets Available for Benefits at Beginning of Year	10,305,069	9,987,933	8,131,700	7,096,520	6,173,384
Net Assets Available for Benefits at End of Year	\$12,117,833	\$10,305,069	\$9,987,933	\$8,131,700	\$7,096,520
As a Percentage of Net Assets					
Pension Administration Costs	0.06	0.08	0.08	0.08	0.06
Investment Management Costs	0.10	0.11	0.10	0.08	0.07

ROLES AND RESPONSIBILITIES

Public Service Pension Advisory Board

As at March 31, 2000 the Public Service Pension Advisory Board oversees the Public Service Pension Plan. The board includes representatives from employers and members, and the chair of the board acts as a trustee. The *Public Sector Pension Plans Act*, which replaces legislation that previously governed the plan, was passed in 1999 and came into full force on April 1, 2000.

The new legislation simplifies public sector pension plan administration and management. It also provides a mechanism for public sector pension plan stakeholders, government, employers, unions and plan members to pursue a joint trustee arrangement, if they wish.

The board has nine members, with four member representatives and four government representatives. The chair is appointed by government and acts as trustee. The Public Service Pension Advisory Board has two committees:

- Benefits Committee, and
- Regulations Committee.

Board members also participate on several interplan committees that deal with matters of common interest to the statutory BC pension plans (Teachers', College, Municipal and Public Service). These committees are:

- Interplan Audit Committee, and
- Interplan Communications Committee.

British Columbia Pension Corporation

The *Public Sector Pension Plans Act* created two Crown corporations. The British Columbia Pension Corporation (Pension Corporation), which replaces the Superannuation Commission effective April 1, 2000, is responsible for administering pension benefits. The Public Service Pension Advisory Board, with representatives from employers and members, oversees the plan, with the chair of the board acting as a trustee.

British Columbia Investment Management Corporation

Effective January 1, 2000, the British Columbia Investment Management Corporation (bcIMC) replaced the Office of the Chief Investment Officer of the Ministry of Finance and Corporate Relations. The bcIMC is responsible for investment management within asset mix policies approved by the trustee. The bcIMC's board also includes representatives from all the statutory pension boards.

INVESTMENTS

Message from the Chief Investment Officer

Markets

The year was another strong one for the Public Service Pension Plan. The basic account earned an 18% return and the inflation account earned a 19.1% return.

Within the domestic asset classes, 1999/00 was a mirror image of the previous year. Specifically, in fiscal 1998/99, government bonds had a strong year (7.1%), but the return from stocks was disappointing (the TSE 300 Index declined 11.3%). This year higher interest rates led to low returns from bonds (Scotia Capital Inc. Government Bond Index, 1.2%), but Canadian stocks were a stellar performer (45.5% for the TSE 300). Such market conditions clearly show the benefits of maintaining a well-diversified portfolio.

There were three main themes for equity markets during the past year. The first was the dominance of telecommunications and technology companies. Investors are expecting strong earnings growth from these companies and, as a result, their share prices have been pushed much higher.

The second theme was the narrowness of market leadership. Most of the increase in 1999/00 came from a few companies, most notably BCE (Bell Canada Enterprises) and Nortel Networks. The positive side of the narrow leadership is that there is still scope for further appreciation. The negative side is that the growth of these companies has led to high valuations and a more concentrated equity market. The narrowness of the market also created a difficult environment for active equity managers, as our external managers under-performed the TSE 300 Index by 17.2%.

The final theme of capital markets has been a high degree of volatility. Investors have been quite nervous about rising interest rates and high equity valuations. Therefore, they have reacted quickly, and severely, both to positive and negative news.

Looking forward, we expect the high level of market volatility to continue until there is more definitive evidence that U.S. economic growth has slowed to a more sustainable level.

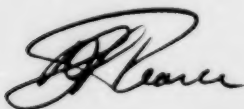
Organizational Change

The *Public Sector Pension Plans Act* not only provided the ability to change the governance framework for the statutory pension plans, but it also fundamentally altered the structure of the agencies that provide services to the plans. The Office of the Chief Investment Officer has been replaced by a new Crown corporation, the British Columbia Investment Management Corporation (bcIMC).

The bcIMC was established in November 1999 and assumed responsibility for managing the trust assets on January 1, 2000. The purpose of this change in structure was twofold. First, it reduces the potential for perceived conflicts between being government employees and our fiduciary duty to the trust clients. Second, it improves the governance and accountability framework by giving our clients a more meaningful say in the management of the investment agency.

Under the new structure, bcIMC has a seven-person Board of Directors made up from its clients. This includes one representative from the Public Service Pension Advisory Board. The Board of Directors is responsible for overseeing the administration of the corporation (e.g., approval of budgets, business plan, financial statements, etc.). The board, however, is legislatively prohibited from getting involved in investment decisions. These will continue to be made by investment professionals, in accordance with the guidelines and the policies established by the funds' trustees.

The new structure represents an important step forward for the agency and is welcomed by both myself and the staff. I am confident that the changes will lead to a stronger and more dynamic organization that is better positioned to meet the challenges of global fund management on behalf of your fund.



Doug Pearce
Chief Investment Officer
BC Investment Management Corporation

Approved Investment Asset Mix

Asset Class	Market Value	
	Lower Limit	Upper Limit
Debt	30%	50%
Short-term	0%	30%
Bonds	20%	50%
Mortgages	0%	10%
Equity	50%	70%
Canadian Stocks	20%	50%
U.S. Stocks	0%	14%
International Stocks	0%	14%
Real Estate	0%	10%
Private Placements	0%	4%

Approved Investment Asset Mix

The Public Service Pension Plan holds a diversified portfolio of debt and equity investments. The portfolio has a total market value of \$12.4 billion as of March 31, 2000. The plan's five-year average return was 13.9%.

The asset mix range in the accompanying chart was approved by the trustee. Strategic and short-term asset allocation targets are set within these ranges. Short-term for asset mix purposes includes Canadian government bonds with one- to five-year terms and money market securities.

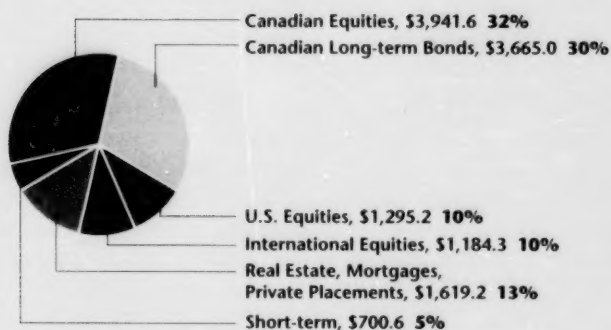
Investment Portfolio
Investments Held as at March 31, 2000

	Market Value	Asset Mix % Market Value
Province of BC Pooled Investment Portfolio Units		
Money Market	\$ 522,525,440	4%
Canadian Bonds		
Government	3,073,492,277	25%
Corporate	404,030,153	3%
Short-term (to 5 years)	178,124,224	2%
Canadian Equities		
Indexed	2,809,747,636	23%
Actively Managed	1,129,327,177	9%
U.S. Equities		
Indexed	784,067,031	6%
Actively Managed	511,126,337	4%
International Equities		
Asia	150,189,968	1%
Europe	366,988,637	3%
Europe, Australia and the Far East	667,139,334	5%
Real Estate	986,350,114	8%
Mortgages	403,725,910	3%
Private Placements	229,044,505	2%
Total Pooled Portfolios	\$12,215,878,743	98%
Canadian Real Return Bonds	187,454,655	2%
Canadian Equities	2,539,326	
Total Investments	\$12,405,872,724	100%
1999 Comparison	\$10,297,716,254	

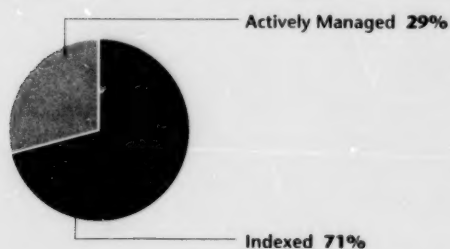
INVESTMENTS continued

2000 Investment Holdings (Market Value)

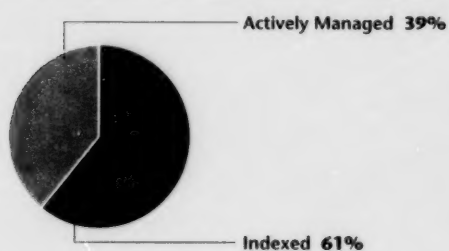
\$ Millions



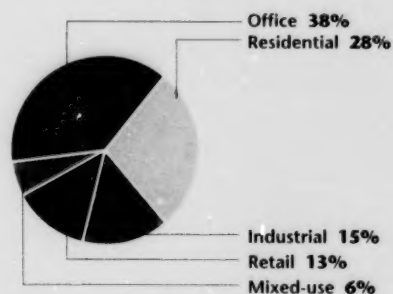
Canadian Equities (Market Value)



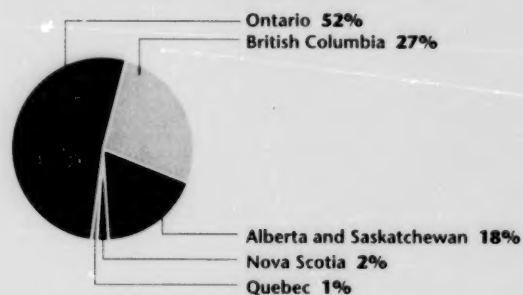
U.S. Equities (Market Value)

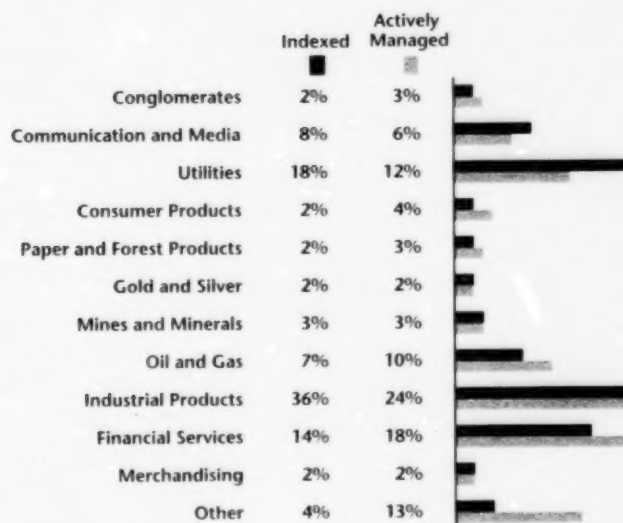
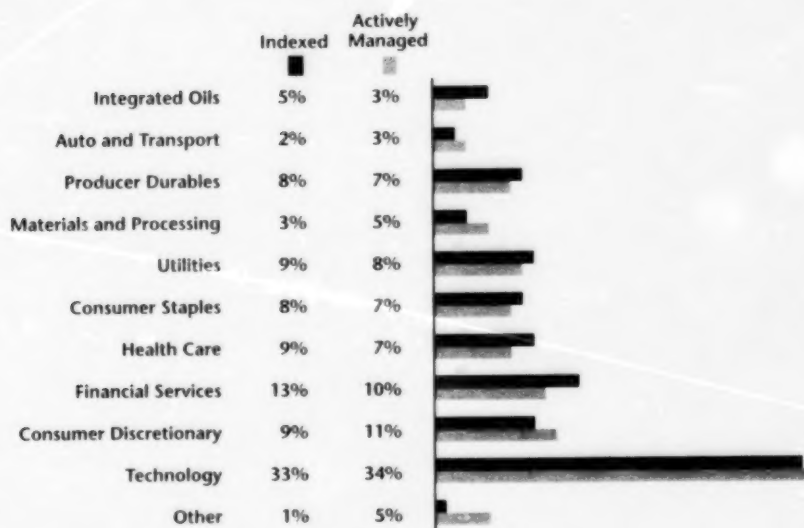


Real Estate, by Type

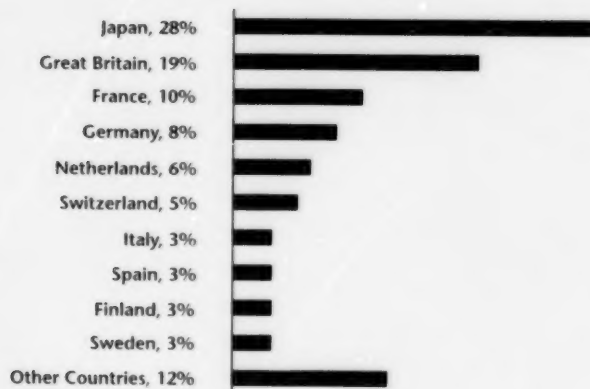


Real Estate, by Location



Canadian Equities, by Sector**U.S. Equities, by Sector**

International Equities



Investment Performance

Net Earned Rate of the Fund

Year	%
1996	10.5
1997	10.7
1998	12.4
1999	11.5
2000	13.9

RATES OF RETURN ARE BASED ON A FIVE-YEAR AVERAGE.

Market Value Rates of Return for the Year Ended March 31, 2000

	Basic Account	Inflation Adjustment Account	2000 Performance Benchmarks
Five-year Average Rates			
2000	13.9%	13.8%	14.4%
1999 Comparison	11.5%	11.1%	11.9%
Annual Rates			
2000	18.0%	19.1%	19.1%
1999 Comparison	3.0%	2.6%	4.0%
1999 Annual Rates by Investment Category			2000 Performance Benchmark Indices
Short-term			
Money Market	5.0%	5.0%	4.7% SCI 91-Day T-Bills
Bonds	3.6%	3.6%	3.1% SCI Short-term Government Bonds
Bonds			
Government	1.3%	1.3%	1.2% SCI Government Universe
Corporate	1.7%	0.0%	1.4% SCI Corporate Universe
Real Return	-	10.4%	-
Canadian Equities			
Actively Managed	28.3%	28.3%	45.5% TSE 300
Indexed			
TSE 300	44.7%	44.7%	45.5% TSE 300
TSE 100	48.5%	48.5%	48.7% TSE 100
U.S. Equities			
Actively Managed	20.6%	20.6%	16.3% R 1000
Indexed	13.2%	13.2%	13.5% S&P 500
International Equities			
Asia	75.5%	75.5%	35.4% MSCI Pacific Basin Net
Europe	16.9%	16.9%	13.7% MSCI Europe Net
Europe, Australia and the Far East	25.6%	25.6%	20.0% MSCI EAFE Net
Real Estate	9.2%	9.2%	10.7% R Canadian Property
Mortgages			
Fixed-term	5.8%	5.8%	4.1% SCI Short-term Bonds + 1%
Construction	7.3%	7.3%	5.1% SCI Treasury Bills + 1%

Performance Benchmark Indices Abbreviations
 SCI = Scotia Capital Inc.
 MSCI = Morgan Stanley Capital International
 S&P = Standard and Poor's
 R = Russell
 TSE = Toronto Stock Exchange

(SOURCE OF ANNUAL RATES: BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION)

ACTUARIAL VALUATION / PLAN FUNDING

At least every three years an independent actuary assesses the financial health and the adequacy of contribution rates for funding the pension plan. The valuation considers benefits a member has earned to date (accrued benefits) as well as benefits a member is likely to earn in future service.

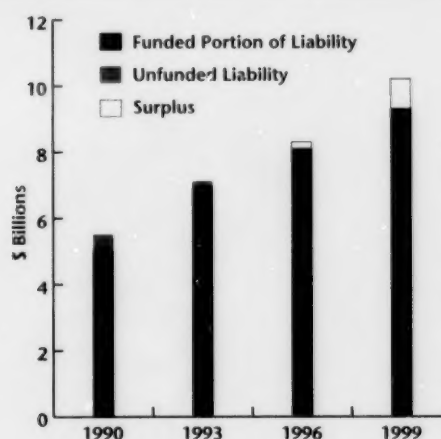
The most recent actuarial valuation viewed the plan as at March 31, 1999 and indicated that the plan had accumulated a \$929 million surplus for basic benefits. This was an increase over the \$222 million surplus reported for 1996. As a result, annual reductions to basic employer contributions were increased effective April 1, 1999, in accordance with plan provisions.

Latest Actuarial Valuation – March 31, 1999 Basic Pension Benefits

	Basic Pension Benefits Net Surplus (Unfunded)			
	1999	1996	1993	1990
For Funding Purposes (statutory contributions)*	\$929	\$222	(\$193)	(\$438)
Ratio of Surplus (Unfunded) Liability to Covered Payroll*	41%	10%	(10%)	(32%)
Based on Accrued Benefits to March 31	\$1,086	\$209	(\$140)	(\$347)

*ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING STATUTORY RATES.

Funding of the Total Basic Benefit Liability



MEMBER SERVICES

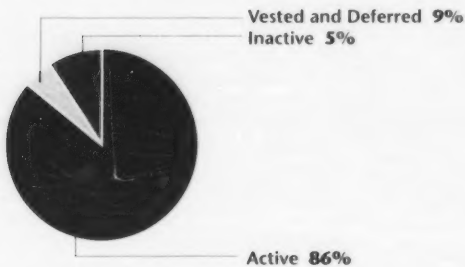
Contributors and Contributions

There are three categories of contributors.

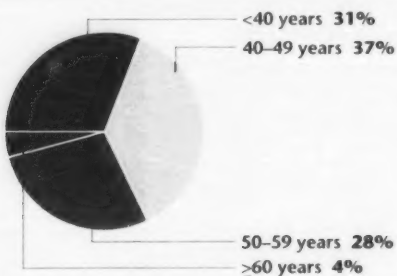
- Active—those who are currently contributing, or are receiving benefits from an approved salary continuance plan or are on a leave of absence.
- Inactive—those who have terminated their employment with contribution balances on record but are not eligible for a pension in the future.
- Vested and deferred—those who have terminated their employment and are eligible for a pension in the future. From 1998 onward, the number of vested and deferred members has been adjusted to include inactive members who are active in another BC statutory pension plan and are likely to have a vested entitlement on the basis of a combined plan.

Active membership in the Public Service Pension Plan increased slightly in 2000. Today there are over 56,000 active plan members and 23,000 retired members.

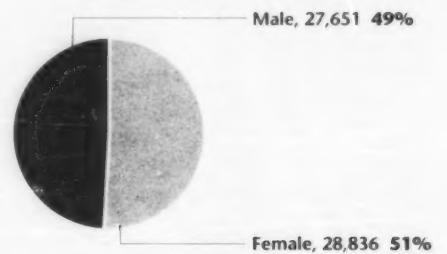
2000 Contributor Profile



2000 Age Profile of Active Contributors



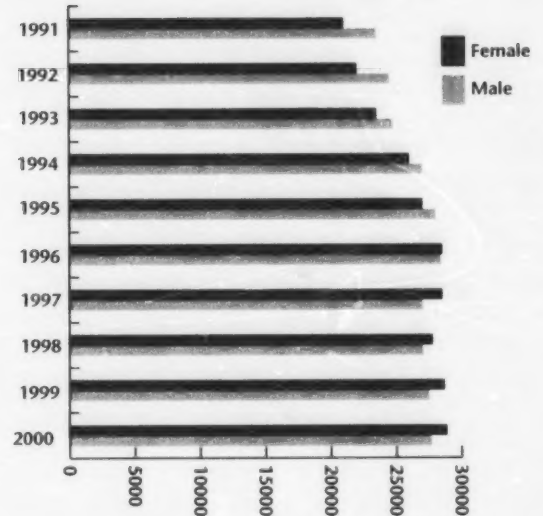
2000 Active Contributor Profile



Number of Contributors

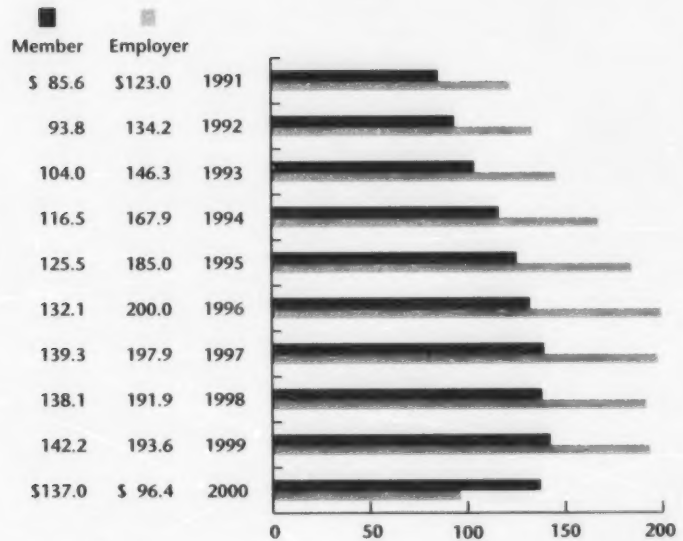
	Active	Inactive	Vested and Deferred	Total
1996	57,490	5,531	2,300	65,321
1997	57,397	5,843	2,493	65,733
1998	55,020	4,310	4,964	64,294
1999	56,128	4,425	5,196	65,749
2000	56,487	3,561	5,823	65,871

Active Contributors



Contributions

\$ Millions



Termination Benefits

A terminating member may be eligible for one or more of the following benefits:

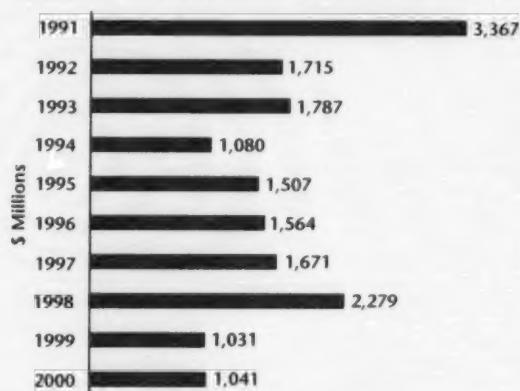
- a refund of contributions with interest
- a transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan, or
- a deferred pension.

The number of termination benefits paid can vary from year to year, depending on the employment environment. The number and dollar value of termination benefits paid in 2000 decreased significantly compared to 1999.

If a member leaves the plan and is eligible for a refund of contributions, the refund includes interest. Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is included in the plan member's annual benefit statement.

The rate of interest is governed by pension standards and pension plan legislation and is based on average five-year bank personal term deposit rates.

Number of Termination Benefits Paid



TERMINATION BENEFITS PAID INCLUDE ONLY REFUNDS OF CONTRIBUTIONS AND COMMUTED-VALUE PAYMENTS. DEFERRED PENSIONS ARE INCLUDED IN PENSION STATISTICS.

Value Of Termination Benefits Paid



TERMINATION BENEFITS PAID INCLUDE ONLY REFUNDS OF CONTRIBUTIONS AND COMMUTED-VALUE PAYMENTS. DEFERRED PENSIONS ARE INCLUDED IN PENSION STATISTICS.

Annual Rates for Interest Credited to Contribution Balances

	Sept.	Mar.
1995/96	6.59%	5.88%
1996/97	5.82%	4.71%
1997/98	4.67%	4.28%
1998/99	4.33%	4.10%
1999/00	4.54%	5.34%

Pensions

The number of pensioners grew 2% in 2000. The number of pensions granted in 2000 increased 9% over the number granted in 1999.

Pensions are paid at the end of each month, beginning with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible
- the month following the month in which the plan member receives the final salary, or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which a pensioner dies.

Pensions 1991-2000

	Public Service			MLA			Basic Pensions Paid (\$ Millions)	Inflation Supplements Paid (\$ Millions)	Total (\$ Millions)
	Granted during Year	Pension Terminations	In Force at End of Year	Granted during Year	Pension Terminations	In Force at End of Year			
1991	654	306	16,748	1	1	80	\$137.2	\$36.6	\$173.8
1992	732	276	17,204	20	—	100	139.4	42.0	181.4
1993	696	219	17,681	—	3	97	142.7	47.5	190.2
1994	740	273	18,148	2	3	96	146.3	48.9	195.2
1995	880	343	18,685	1	—	97	152.0	50.1	202.1
1996	1,088	382	19,391	—	1	96	160.7	50.2	210.9
1997	1,321	415	20,297	12	2	106	173.0	52.8	225.8
1998	2,178	414	22,061	—*	3	103*	203.1	54.2	257.3
1999	981	447	22,595	1	2	102	211.3	55.6	266.9
2000	1,066	505	23,156	2	2	102	\$220.2	\$56.6	\$276.8

*1997 CORRECTED TO INCLUDE A BENEFICIARY PENSION TO THE SPOUSE OF AN MLA.

Basic pensions have a significant value. The value of a basic pension depends on a number of factors, including the member's age, salary and years of service at retirement.

The following table shows the average asset value ("present value") of pensions granted during 2000. The asset value represents approximately how much it would cost to purchase an average basic pension provided under the Public Service Pension Plan.

When a Member of the Legislative Assembly receives a pension, the present value of the pension is transferred from the Members of the Legislative Assembly Superannuation Account to the Public Service Pension Fund, which pays the monthly benefit.

Value of Normal Pensions Granted April 1, 1999 to March 31, 2000

Subdivided by Years of Service					
Years of Service*	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension (Single Life Option)	Average Present Value of Pensions	Total Present Value of Pensions (\$ Millions)
<10 yrs	151	\$51,000	\$ 3,000	\$ 49,000	\$ 7.4
10 - 14	95	46,000	8,000	105,000	10.0
15 - 19	115	43,000	11,000	157,000	18.1
20 - 24	182	45,000	15,000	223,000	40.6
25 - 29	91	46,000	19,000	269,000	24.5
30 - 34	98	48,000	23,000	359,000	35.2
35+	76	52,000	29,000	452,000	34.4
Total	808	n/a	n/a	n/a	\$170.2
All Pension Average	n/a	\$47,000	\$15,000	\$211,000	n/a

*YEARS OF SERVICE INCLUDES SERVICE TRANSFERRED FROM OTHER PLANS.

Transfers from the Members of the Legislative Assembly Superannuation Account, 1991-2000

\$ Thousands

	Present Value of Pensions Transferred	Inflation Adjustment Contributions Transferred
1991	307	90
1992	9,182	65
1993	-	67
1994	605	98
1995	246	114
1996	-	103
1997	4,687	43
1998	-	25
1999	188	60
2000	559	57

Pensions Granted, by Type 1991-2000

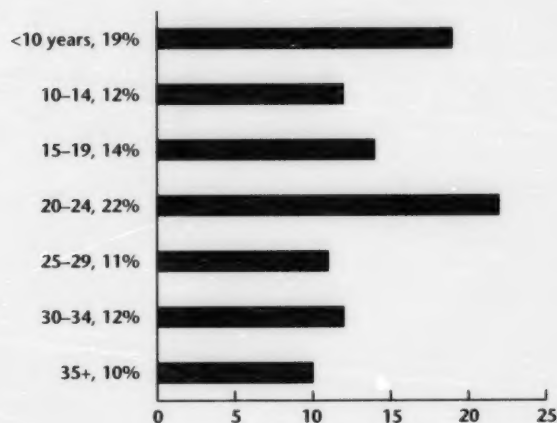
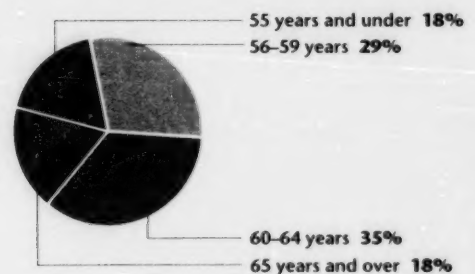
	Normal*	Death*	Disability+	Deferred	Total
1991	464	42	91	57	654
1992	533	42	88	69	732
1993	520	43	83	50	696
1994	574	27	66	73	740
1995	684	27	83	86	880
1996	862	28	98	100	1,088
1997	1,049	27	172	73	1,321
1998	1,741	21	293	123	2,178
1999	729	40	77	135	981
2000	808	43	86	129	1,066

*PENSIONS GRANTED DO NOT INCLUDE ANY PENSION CONTINUED TO A BENEFICIARY UPON THE DEATH OF A PENSIONER
 +INCLUDES MEMBERS ON LONG-TERM DISABILITY WHO BECAME ELIGIBLE FOR A REGULAR PENSION

Public Service Normal Pensions Granted in 2000, Age at Retirement

For those whose normal retirement age was 65
 Subdivided by years of service and age at retirement

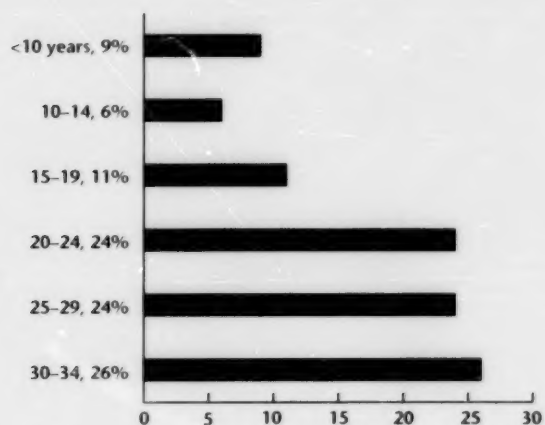
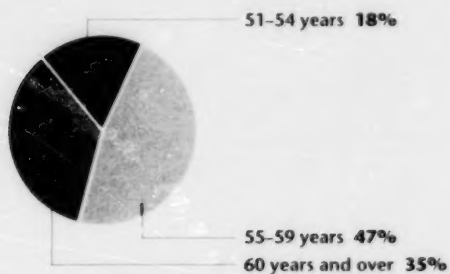
Years of Service	55	56-59	60-64	65	Total
<10 yrs	23	47	52	26	148
10 - 14	15	25	31	22	93
15 - 19	15	23	43	30	111
20 - 24	27	37	74	36	174
25 - 29	19	16	34	14	83
30 - 34	11	45	26	7	89
35 +	31	27	11	7	76
Total	141	220	271	142	774

**Percentage of Normal Pensions by Years of Service
(Normal Age 65)****Percentage of Normal Pensions by Age
(Normal Age 65)**

Public Service Normal Pensions Granted in 2000, Age at Retirement

For those whose normal retirement age was 60
Subdivided by years of service and age at retirement

Years of Service	50	51-54	55-59	60	Total
<10 yrs	-	-	2	1	3
10 - 14	-	1	1	-	2
15 - 19	-	-	1	3	4
20 - 24	-	2	3	3	8
25 - 29	-	-	3	5	8
30 - 34	-	3	6	-	9
35 +	-	-	-	-	-
Total	-	6	16	12	34

**Percentage of Normal Pensions by Years of Service
(Normal Age 60)****Percentage of Normal Pensions by Age
(Normal Age 60)**

Other

Portability Provisions

Portability allows pension plan members to carry pension rights from one plan to another. For instance, members of the Public Service Pension Plan may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has a portability agreement with the Public Service Pension Plan. Employers who allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers."

Members of the Public Service Pension Plan who have made contributions to another pension plan should inquire about portability agreements.

In 2000, there were 47 reciprocal transfers in from other agencies and 76 transfers out. The transfers in totaled \$4.1 million; transfers out totaled \$5.1 million. As a result of changes in interplan portability provisions, transfers now include those between the Public Service Pension Plan and three other BC public sector plans (College, Municipal and Teachers').

Purchase of Additional Service

It may be possible for plan members to purchase additional service. This service may include:

- approved leaves of absence
- arrears contributions, or
- reinstatement of refunded contributions.

The number and value of purchases of additional service decreased 54% from 1999 to 2000.

Member and Employer Purchases of Additional Service

	Number of Purchases		Value of Purchases (\$ Thousands)	
	2000	1999	2000	1999
Approved Leaves of Absence	106	357	\$ 435	\$ 1,033
Arrears Contributions	79	90	204	438
Non-contributory Service	835	1,838	6,090	12,915
Reinstatement of Refunded Contributions	279	533	4,083	7,081
Total	1,299	2,818	\$10,812	\$21,467

PENSION CORPORATION

Executive Offices

Mailing Address:
PO Box 9460
Stn Prov Govt
Victoria BC
V8W 9V8

Location
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250-387-8201
1-800-663-8823
Fax:
250-387-4199

PUBLIC SERVICE PENSION PLAN

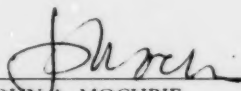
ADMINISTRATOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

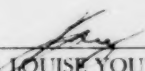
The financial statements of the Public Service Pension Plan were prepared by the British Columbia Pension Corporation (previously known as the Superannuation Commission), the benefit administrator for the plan. The corporation is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the plan. The role of the actuary is to complete an actuarial valuation of the plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the plan in accordance with generally accepted auditing standards. The resulting audit opinion is set out in the Report of the Auditor General attached to these financial statements.


JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation


P. LOUISE YOUNG, C.A.,
Vice-President, Information Management,
Finance and Administration
British Columbia Pension Corporation

June 28, 2000



**Report of the Auditor General
of British Columbia**

*To the Chair,
Public Service Pension Advisory Board, and*

*To the Minister of Finance and Corporate Relations,
Province of British Columbia:*

I have audited the statement of net assets available for benefits of the *Public Service Pension Plan* as at March 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the British Columbia Pension Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Public Service Pension Plan* as at March 31, 2000 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Victoria, British Columbia
June 28, 2000, except as to Note 11,
which is as of September 25, 2000*

Wayne Strelloff, CA
Auditor General

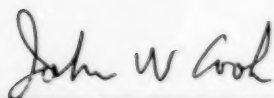
Financial Statements

PUBLIC SERVICE PENSION PLAN STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (\$ Thousands)

March 31	2000	1999
ASSETS		
Investments (Note 3)	\$ 12,405,873	\$ 10,297,716
Receivables		
Members' contributions	5,033	4,636
Employers' contributions, net of rebate (Note 8)	-	2,674
Accrued interest and dividends	2,521	2,439
Due from MLA Superannuation Account	634	259
Due from sale of investments	29,570	-
Other	3,716	1,386
	<u>41,474</u>	<u>11,394</u>
Prepaid expenses	54	1,306
Cash	1,103	213
Total Assets	<u>12,448,504</u>	<u>10,310,629</u>
LIABILITIES		
Employer rebates (net of contributions receivable)	1,873	-
Payable for purchase of investments	317,700	-
Accounts payable and accrued expenses	11,098	5,560
Total Liabilities	<u>330,671</u>	<u>5,560</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 12,117,833</u>	<u>\$ 10,305,069</u>

Obligations for Accrued Pension Benefits for Accounting Purposes (Note 7)

The 11 accompanying notes are an integral part of these financial statements.



John W. Cook, F.C.I.A.
Chair, Public Service Pension Advisory Board
Trustee

Financial Statements

PUBLIC SERVICE PENSION PLAN STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (\$ Thousands)

For the year ended March 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2000	1999
INCREASE IN ASSETS					
Net investment income (Note 4)	\$ 1,504,371	\$ 385,663	\$ -	\$ 1,890,034	\$ 285,429
Contributions (Note 5)					
Employers, net of rebate (Note 8)					
Province of British Columbia	42,063	12,712	-	54,775	113,616
Other	25,467	7,448	-	32,915	68,595
Supplemental benefits (Note 8)	-	-	8,730	8,730	11,421
Members	67,530	20,160	8,730	96,420	193,632
	107,958	29,083	-	137,041	142,225
	175,488	49,243	8,730	233,461	335,857
Transfers from other plans	3,124	948	-	4,072	3,481
Transfers from MLA Superannuation Account (Note 9)	559	57	-	616	248
Total Increase in Assets	1,683,542	435,911	8,730	2,128,183	625,015
DECREASE IN ASSETS					
Pension benefits paid					
Contributory	220,016	-	159	220,175	211,274
Indexing supplements	56,568	-	-	56,568	55,590
	276,584	-	159	276,743	266,864
Termination benefits paid	13,493	4,918	-	18,411	24,562
Transfers to other plans	3,693	1,387	-	5,080	530
Retired member group benefits (Note 10)	-	-	8,468	8,468	8,033
Administration costs (Note 9)	6,614	-	103	6,717	7,890
Total Decrease in Assets	300,384	6,305	8,730	315,419	307,879
INCREASE IN NET ASSETS					
BEFORE TRANSFERS	1,383,158	429,606	-	1,812,764	317,136
Account transfers (Note 6)	(98,946)	98,946	-	-	-
INCREASE IN NET ASSETS	1,284,212	528,552	-	1,812,764	317,136
NET ASSETS AVAILABLE FOR BENEFITS					
AT BEGINNING OF YEAR	8,292,523	2,012,546	-	10,305,069	9,987,933
NET ASSETS AVAILABLE FOR BENEFITS					
AT END OF YEAR	\$ 9,576,735	\$ 2,541,098	\$ -	\$ 12,117,833	\$ 10,305,069

PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN

The *Public Service Pension Plans Act* was passed by the BC legislature on July 15, 1999 but was not yet in force at March 31, 2000. Effective April 1, 2000, the existing *Pension (Public Service) Act* and related regulations are repealed and the Public Service Pension Plan becomes governed by Schedule C of the new act. The following brief description of the plan is provided for general information only. For more information refer to the acts.

a) General

The plan is a contributory defined benefit pension plan open to eligible employees of the Public Service and certain crown corporations, agencies, institutions and other employers to which the act applies.

b) Roles and Responsibilities

The Public Service Pension Advisory Board oversees the administration of the pension plan. The chair of the Public Service Pension Advisory Board is the trustee.

On January 1, 2000, the *Public Service Pension Plans Act* creates a new crown corporation, the British Columbia Investment Management Corporation (bcIMC) to replace the Office of the Chief Investment Officer of the Ministry of Finance and Corporate Relations (OCIO) and to continue carrying out the day-to-day investment management services for the pension fund.

Up until March 31, 2000, pension benefits are administered on behalf of the plan by the Superannuation Commission of the Ministry of Finance and Corporate Relations. On April 1, 2000, the *Public Service Pension Plans Act* creates the British Columbia Pension Corporation to replace the commission and to continue carrying out benefit administration services.

c) Pension Benefits

All members with two years contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65 (age 60 for certain groups);
- at age 60, with at least 2 years contributory service (age 55 for certain groups);
or
- at age 55 or older, with age plus years of service equalling 90 or more (effective April 1, 2000 equalling 85 or more); or

**PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000**

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

c) Pension Benefits (continued)

- at age 50 or older, with age plus years of service equalling 85 or more for certain groups.

Other retiring members have a reduction formula applied to their pensions.

The plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE) and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings is based on the member's highest five-year average salary (HAS). The plan also provides a bridging benefit with CPP which is payable to age 65 (or the date of death, if earlier). The unreduced bridging benefit is .7% of the lesser of YMPE or the HAS, for each year of the member's pensionable service since January 1, 1966 (when CPP was introduced).

Increases to pension payments are provided each January 1 in accordance with the indexing provisions of the plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6).

At January 1, 2000, retired members received a full CPI increase of 2.6% (1999 - .7%).

d) Termination and Portability Benefits

A terminating member who is eligible for a pension benefit may choose from:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit to a locked-in RRSP, other registered pension plan or similar eligible tax-sheltered plan.

Upon termination, a member who is not eligible for a pension benefit (non-vested), is eligible to receive a refund of his or her own contributions, with interest. A non-vested terminating member may also choose to leave monies on deposit in anticipation of possible future re-entry to the plan. Where there are portability arrangements between the Public Service Pension Plan and other pension plans, members may be able to carry certain pension rights to those other plans, or transfer contributions and service from those other plans to increase pension benefits under the Public Service Pension Plan.

**PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000**

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

e) Other Benefits

Supplemental (Note 10), disability and survivor benefits are also available under the plan. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

f) Income Taxes

The plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)* and is not subject to income taxes, except for any supplemental benefits (Note 10) which are provided in addition to the RPP.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the aggregate financial position of the plan as a separate financial reporting entity, independent of the plan's contributing employers and members.

b) Investments

Investments are stated at market value. Market value is derived from external quotations or appraisals. Investment purchases and sales are recorded on trade date.

c) Investment Income

Investment income is recorded on the accrual basis.

Financial Statements

PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

3. INVESTMENTS (Market Value)

	2000			1999
	Basic Account	Inflation Adjustment Account	Total	Total
	(\$ Thousands)			
Short-term	\$ 388,139	\$ 134,387	\$ 522,526	\$ 87,812
Canadian Bonds	3,075,759	767,343	3,843,102	4,006,133
Canadian Equities	3,152,903	788,711	3,941,614	3,243,643
U.S. Equities	1,043,591	251,602	1,295,193	1,136,226
International Equities	955,594	228,724	1,184,318	865,862
Mortgages	324,990	78,736	403,726	317,057
Real Estate	790,288	196,062	986,350	454,268
Private Placements	229,044	-	229,044	186,715
	<u>\$9,960,308</u>	<u>\$2,445,565</u>	<u>\$12,405,873</u>	<u>\$10,297,716</u>

Pension plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of Canadian diversified income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets.

PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

4. INVESTMENT INCOME

	2000			1999
	Income Allocation	Current Period Change In Market Value	Total	Total
(\$ Thousands)				
Basic Account				
Short-term	\$ 5,376	\$ (92)	\$ 5,284	\$ 6,137
Canadian Bonds	184,055	(143,579)	40,476	209,584
Canadian Equities	47,917	1,004,193	1,052,110	(293,437)
U.S. Equities	14,199	138,844	153,043	195,989
International Equities	13,903	184,602	198,505	74,968
Mortgages	19,830	(2,146)	17,684	15,795
Real Estate	21,518	19,777	41,295	37,333
Private Placements	3,139	2,997	6,136	550
	<u>\$309,937</u>	<u>\$1,204,596</u>	<u>\$1,514,533</u>	<u>\$ 246,699</u>
Investment Management Costs			(10,162)	(9,212)
Net Investment Income			<u>\$1,504,371</u>	<u>\$ 237,487</u>
Inflation Adjustment Account				
Short-term	\$ 1,814	\$ (20)	\$ 1,794	\$ 2,059
Canadian Bonds	46,422	(17,274)	29,148	41,770
Canadian Equities	11,604	244,997	256,601	(64,770)
U.S. Equities	3,435	33,121	36,556	43,073
International Equities	3,253	46,456	49,709	16,551
Mortgages	4,710	(493)	4,217	3,195
Real Estate	5,198	4,753	9,951	7,934
	<u>\$ 76,436</u>	<u>\$ 311,540</u>	<u>\$ 387,976</u>	<u>\$ 49,812</u>
Investment Management Costs			(2,313)	(1,870)
Net Investment Income			<u>\$ 385,663</u>	<u>\$ 47,942</u>
Total Basic and Inflation Adjustment Accounts				
Total Investment Income			\$1,902,509	\$296,511
Total Investment Management Costs			(12,475)	(11,082)
Total Net Investment Income			<u>\$1,890,034</u>	<u>\$285,429</u>

The income allocation portion of investment income represents pooled investment portfolio income attributable to the pension fund, as a unitholder, and as calculated by the British Columbia Investment Management Corporation, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

5. CONTRIBUTIONS

	2000			1999	
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
					(\$ Thousands)
Members' contributions					
Regular	\$103,215	\$28,567	\$ -	\$131,782	\$128,992
Arrears	42	4	-	46	102
Purchase of non-contributory service	2,041	282	-	2,323	7,957
Leave of absence	136	35	-	171	528
Refund reinstatement	2,524	195	-	2,719	4,646
Total Members	107,958	29,083	-	137,041	142,225
Employers' contributions					
Province of British Columbia					
Regular	38,239	12,522	-	50,761	107,485
Arrears	41	6	-	47	83
Purchase of non-contributory service	2,217	141	-	2,358	3,193
Leave of absence	214	31	-	245	420
Refund reinstatement	1,352	12	-	1,364	2,435
	42,063	12,712	-	54,775	113,616
Other employers					
Regular	24,085	7,291	-	31,376	66,492
Arrears	98	13	-	111	253
Purchase of non-contributory service	1,268	141	-	1,409	1,765
Leave of absence	16	3	-	19	85
	25,467	7,448	-	32,915	68,595
Supplemental benefits	-	-	8,730	8,730	11,421
Total Employers	67,530	20,160	8,730	96,420	193,632
Total Contributions	\$175,488	\$49,243	\$8,730	\$233,461	\$335,857

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PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

6. ACCOUNT TRANSFERS

	2000		1999	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	(\$ Thousands)			
Present value of current indexing supplements	\$ 58,710	\$(58,710)	\$ 15,404	\$(15,404)
Indexing of deferred pensions	1,722	(1,722)	2,868	(2,868)
Excess interest	(159,378)	159,378	(106,290)	106,290
Other	-	-	(2)	2
	<u>\$ (98,946)</u>	<u>\$ 98,946</u>	<u>\$ (88,020)</u>	<u>\$ 88,020</u>

A separate account is maintained for funding current and future indexing supplements. This Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members (Note 8), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the Inflation Adjustment Account to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the Inflation Adjustment Account to the Basic Account.

Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid (approximately \$2.4 billion of assets for 2000, \$2.3 billion for 1999). The excess interest rate of return is determined by taking the difference between the actual market rate of return and the rate of return used by the actuary (7.3%) in valuing the plan's liabilities. The actual rate of return is based on a five-year average. The calculated excess interest rate of return for fiscal 2000 is 6.6%. Should the excess interest rate calculation ever result in a negative return, the negative return will be carried forward and offset against future excess returns.

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PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

7. OBLIGATIONS FOR ACCRUED PENSION BENEFITS FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years and its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the pension fund as described in Note 8(b). As part of the actuarial valuation the actuary calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date.

The Basic Account is the account from which the defined guaranteed basic benefits of the plan are paid and from which any indexing that has been granted to retired members, is also paid. Indexing benefits are not guaranteed within the plan provisions and are granted to retired members only to the extent that sufficient money is available from the Inflation Adjustment Account (IAA) to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the necessary net present value funding for the granted indexing. Therefore accrued basic pension benefits, for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not, as yet unknown, future indexing.

The latest valuation was made as at March 31, 1999 by Eckler Partners Ltd. Net actuarial assets in the Basic Account as at that date were \$7.43 billion (1996 - \$5.43 billion). Liabilities for accrued basic pension benefits were \$6.34 billion (1996 - \$5.22 billion). As a result, on an accrued benefits basis, there was a Basic Account surplus of \$1.09 billion (1996 - \$.21 billion).

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- annual investment return 7.3%
- annual salary escalation rate 4.8%

It is required that extrapolations between valuations be calculated and one has been done to March 31, 2000, using the 1999 long-term assumptions. However, extrapolations are not reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation. On that basis, the extrapolated surplus to March 31, 2000 is \$1.06 billion.

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PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

8. FUNDING

a) Contributions

Basic Account

Members contribute to the Basic Account 4.25% of salary up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) (\$37,600 in 2000) and 5.75% of salary above that.

Employers contribute to the Basic Account 7.75% of salaries up to the YMPE and 9.25% of salaries above that. As a result of the 1996 actuarial surplus, a \$24 million annual reduction in total employer contributions was implemented effective April 1, 1996 and ended on March 31, 2000. This reduction was approximately equal to 1% of salary. As a result of the increased 1999 actuarial surplus an additional \$97.8 million annual reduction to total employer contributions was implemented effective April 1, 1999. For one overlapping year, 1999/00, both reductions were in effect, for a total of \$121.8 million. The revised annual reduction of \$97.8 million is approximately equal to 4% of current salary.

The combined member and employer statutory contribution rate for salaries above the YMPE is 15.0% (Note: the approximate effect of the contribution reductions is to temporarily decrease the combined rate to 14% for 1998/99, 10% for 1999/00 and 11% for 2000/01).

Inflation Adjustment Account and Supplemental Benefits Account

Members contribute 1.25% of salaries to the Inflation Adjustment Account. Employers contribute 1.25% of salaries to the Inflation Adjustment Account, less amounts allocated to the Supplemental Benefits Account (2000 - \$8.5 million; 1999 - \$8.3 million) (see Note 10).

b) Actuarial Valuation for Funding Purposes

An actuarial valuation of the plan's Basic Account assets and pension obligations is performed at least every three years to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on a level contribution method.

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PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

8. FUNDING (continued)

b) Actuarial Valuation for Funding Purposes (continued)

Using this method, the contribution rate consists of two elements:

- a level rate which will fully pay for benefits earned by typical new entrants to the plan; and
- a level rate which will maintain the plan's unfunded actuarial liability or surplus as a constant percentage of employer payroll, assuming future contributions are also made at the above rate.

The most recent actuarial valuation for funding purposes was prepared as at March 31, 1999. The March 31, 1999 actuarial valuation disclosed a surplus, for funding purposes, for Basic Account pension benefits of \$929 million (1996 - \$222 million), assuming future contributions at the existing statutory rates.

The main changes between the 1996 and 1999 valuations are as follows:

	(\$ Millions)
Actuarial surplus as at March 31, 1996	\$222
Surplus rebates to employer	(72)
Interest on net surplus	44
Investment income in excess of actuarial rate of return	616
Salary increases less than previously assumed	409
Changes in benefits	(231)
Net changes in actuarial assumptions	(62)
Other	3
Actuarial surplus as at March 31, 1999	<u>\$929</u>

As a result of this valuation, the actuary's calculated level contribution rate for basic pension benefits was 13.21% of employer payroll, for salaries above the YMPE. This rate is 1.79% of employer payroll lower than the combined employee and employer statutory rate of 15.0%. A lower statutory contribution rate was not implemented. However, temporary employer contribution reductions were implemented as described in Note 8(a).

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PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

8. FUNDING (continued)

b) Actuarial Valuation for Funding Purposes (continued)

The following table shows a key indicator of the financial health of a pension plan, the Basic Account unfunded actuarial liability (UAL)/surplus, as a percentage of payroll, for the four most recent actuarial valuations. (Values shown in the table assume future contributions at the statutory rates in place at the time, rather than the actuary's calculated rates.)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	(UAL) Surplus (c)	Covered Payroll (d)	(UAL) Surplus as a Percentage of Payroll (c/d)
(\$ Billions)					
1990	\$ 5.01	\$5.45	\$(0.44)	\$1.39	(32%)
1993	6.90	7.09	(0.19)	1.84	(10%)
1996	8.21	7.99	0.22	2.21	10%
1999	10.21	9.28	.93	2.26	41%

c) Funding Policy

The level contribution method is the current statutory funding policy for the plan's Basic Account. This policy calls for any increases in the UAL as a percentage of employer payroll, from one valuation to the next, to be amortized, by way of an increase in employer contributions, over not more than 15 years. If a surplus for the Basic Account arises, it may be amortized, by a reduction in employer contributions, over not less than 15 years.

9. RELATED PARTY TRANSACTIONS

a) Transfers from Members of the Legislative Assembly Superannuation Account

	2000	1999
	(\$ Thousands)	
Present value of MLA pensions granted	\$559	\$188
Contributions for indexing supplements	57	60
	<u>\$616</u>	<u>\$248</u>

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PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

9. RELATED PARTY TRANSACTIONS

a) Transfers from Members of the Legislative Assembly Superannuation Account (continued)

When a Member of the Legislative Assembly (MLA) is granted a pension, the present value of the pension is transferred from the Members of the Legislative Assembly Superannuation Account (the account) to the Public Service Superannuation Fund, and monthly benefits are paid from the fund. Amounts are also transferred to the fund each year to fund the payment of related indexing supplements.

During the year ended March 31, 2000, 2 MLAs (1999 - 1) were granted a pension.

b) Administration Costs

Administration costs include general administration costs and actuarial fees. General administration costs incurred by the corporation are prorated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan. General administration costs include all salaries, Public Service Pension Advisory Board expenses, and other operating and administration costs.

The plan paid \$37,000 in 2000 (1999 - \$37,000) for administrative costs of the Members of the Legislative Assembly Superannuation Account.

c) Investment Management Costs

The British Columbia Investment Management Corporation has statutory responsibility for managing investments on behalf of the plan and uses internal and external investment managers for this purpose. Total investment management fees for 2000 were \$12.5 million. Of this amount, \$1.4 million was charged for bcIMC's internal investment management services (1999 - total fees \$11.08 million; internal management services \$1.01 million).

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account provides for the payment and funding of supplemental benefits, such as contributions and benefits which exceed *Income Tax Act (Canada)* limits, and group dental benefits for retired members. Dental benefits are fully funded by employer contributions.

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PUBLIC SERVICE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2000

11. SUBSEQUENT EVENT

The Public Sector Pension Plans Act, which came into force on April 1, 2000, provided a mechanism for public sector pension plan stakeholders – government, employers, unions and plan members – to pursue joint trusteeship for the Public Service Pension Plan if they chose to do so. Joint trusteeship is the shared management of a pension plan by representatives of both plan members and plan employers. The act also sets out the partners who must agree before joint trusteeship can be implemented. The partners for the Public Service Pension Plan are the BC Government, the BC Government and Service Employees' Union, the Professional Employees Association, and the Union of Psychiatric Nurses. Successful negotiation of a joint trusteeship agreement subsequently occurred and was ratified by the partners during the June through August, 2000 period. The agreement is intended to come into effect January 1, 2001.